MANSERMAR
DEVELOPMENT

August 8, 2025

Kim Wilbourne
Housing Tax Credit Manager
South Carolina State Housing Finance
and Development Authority
300-C Outlet Pointe Blvd,
Columbia, South Carolina, 29210

RE: Comments for 2026 Qualified Allocation Plan

Dear Ms. Wilbourne:

We are writing regarding the 2026 Qualified Allocation Plan comment period.

After reviewing the most recent draft of the 2026 QAP, we would like to make a few comments for consideration in the next revision regarding the below.

1. The financial underwriting requirement set forth in Section IV requiring that projected annual operating expenses be between $3,500 and $5,000 per unit, per year.
2. The financial underwriting requirement set forth in Section IV requiring that developments without repayable debt, the initial annual cash flow per unit to not exceed $1,100 per unit in the first year.
3. The financial underwriting requirement set forth in Section IV requiring that the maximum Developer Fee be the lesser of fifteen percent (15%) of Total Development Costs or a cumulative amount of $25,000 per unit for the first 50 units, $20,000 per unit for units 51-100, or $15,000 per unit for any units more than 100.

Item 1

Section IV of the QAP provides that projected annual operating expenses must be between $3,500 and $5,000 per unit, per year, excluding reserves. We propose that the requirement for annual operating expenses be removed from the QAP or that there only be a minimum requirement instead of a maximum requirement.

There are several important factors supporting the request to remove the operating expense requirement from the QAP. First, there are many different types of existing affordable housing projects in South Carolina that are older and under different HUD programs that make it difficult to maintain lower operating expenses. For example, there are several HUD subsidized properties that require basic utilities, such as water, sewer, gas, trash, and electricity to all be included in the residents rent and therefore must also be included as operating expenses. In order to recruit and maintain qualified and long-term employees, it is difficult to provide high quality benefits, such as 401k and health insurance, if operating expenses are capped at a certain amount. It also discourages the ability to be able to increase payroll that aids in retaining employees, which is a long term beneficial to the Projects. Also, with the volatility of the current insurance market, insurance costs continue to increase. It is important for all properties, but especially properties with non-profit general partners to be able to maintain quality insurance coverage were any instances to occur. On smaller properties with less units, insurance can cost between $800 and $1000 per unit alone.

Item 2

Section IV of the QAP provides that for developments without repayable debt, the initial projected annual cash flow per unit may not exceed $1,100. We propose that this requirement be removed from the QAP.

Due to the underwriting requirement for income to increase by 2% annually and expenses to increase by 3% annually, year after year the gap between income and expenses narrows. Due to this, if the project has less than $1,100 per unit of cash flow in the first year, many deals will not be able to cash flow for all 15 years. Not having a mortgage on a property is a great way to for some of the smaller properties to be financially feasible, however, this requirement prohibits that from being an option.

Item 3

Section IV of the QAP provides that the maximum Developer Fee be the lesser of fifteen percent (15%) of Total Development Costs or a cumulative amount of $25,000 per unit for the first 50 units, $20,000 per unit for units 51-100, or $15,000 per unit for any units more than 100. We propose the Developer Fee should only be based off the 15% of Total Development Costs. It is equally, if not more difficult, to develop properties that have fewer units, especially when it is an acquisition rehabilitation. No matter the size of the project, they require the same amount of planning and coordinating with architects, general contractors, third party reports, consultants, attorneys, accounts, city officials, lenders and investors, etc. The developer fee will be less than a larger project based solely on the fact that the total development costs will be less on a smaller unit project. Also please note that year after year expenses have continued to rise and total development costs have continued to increase. All of the parties that are part of the development team have been able to raise their fees and general contractors continue to receive their 14% general conditions, overhead and profit. This has allowed general contractors to continue to increase their profit as hard costs have risen. By continuing to cap developers at a per unit developer fee, it prohibits developers from being able to increase their profit while employee salaries, overhead and pre-development expenses continue to rise.

Thank you so much for your consideration regarding our comments on the 2026 Qualified Allocation Plan. Should you have any questions, please feel free to reach out via email at awatson@mansermar.com.

Sincerely,

Ali Watson

Ali Watson
Vice President & Director of Operations
Mansermar Development, LLC